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July 23, 1981

079

The Honorable President pro Tempore of the Senate
The Honorable Speaker of the Assembly
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the
Auditor General's letter report concerning T-bone steaks served
to the inmates at the California Institution for Men at Chino.

Respectfully submitted,

WALTER M. INGALLS
Chairman, Joint Legislative
Audit Committee

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Thomas W. Hayes
Auditor General

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July 20, 1981

Letter Report 079

Honorable Walter M. Ingalls
Chairman, and Members of the
Joint Legislative Audit Committee
925 L Street, Suite 750
Sacramento, California 95814

Dear Mr. Chairman and Members:

In response to your request, we have reviewed the circumstances surrounding the purchasing and serving of T-bone steaks to inmates and guests at the California Institution for Men (CIM) at Chino on Mother's Day. This review was conducted under the authority vested in the Auditor General under Sections 10527 and 10528 of the Government Code.

REVIEW RESULTS

We have answered specific questions related to T-bone steaks served at a Mother's Day meal to inmates of the California Institution for Men at Chino. The CIM purchased these steaks at \$4.90 per pound through the Office of Procurement's statewide meat contract. These are the questions we address in this report:

- Why did the State pay \$4.90 per pound for T-bone steaks?
- Could the CIM have butchered beef carcasses to produce the T-bone steaks?
- Why did CIM personnel accept more steaks than were ordered?
- Why did CIM personnel prepare a surplus of steaks for the Mother's Day meal?
- Can the CIM account for all the steaks?

Honorable Walter M. Ingalls
Chairman, and Members of the
Joint Legislative Audit Committee
July 20, 1981
Page 2

Review Limitations

Although we have addressed each of the questions above, we did not investigate other institutions' policies on preparing surplus quantities of food. Nor have we evaluated the CIM's policy of serving T-bone steaks. The institution's superintendent reported that he has continued the facility's long-standing tradition of serving steaks on Mother's Day partly out of concern for prison safety.

Questions and Answers

Below we list the questions and answers in the order given previously in the report.

Why did the State pay \$4.90 per pound for T-bone steaks?

The California Institution for Men paid \$4.90 per pound for T-bone steaks in accordance with the statewide meat contract established by the Department of General Services' Office of Procurement. The bid that was accepted for the CIM's meat group offered the lowest aggregate price but included a relatively high price for T-bone steaks. Initially, the CIM had attempted to purchase the steaks without using the statewide contract procedure but was denied authorization by the Office of Procurement. Still unresolved is whether the CIM could have deviated from the statewide contract and processed a purchase request separately.

State law requires the Office of Procurement to make food purchases exceeding \$100 for most state agencies, including the Department of Corrections. As a part of its food purchasing process, the Office of Procurement establishes contracts for commodities routinely purchased by state agencies. This office requires state agencies to purchase goods through these contracts, except in unique situations.

For the statewide meat contract, the Office of Procurement consolidates the types and quantities of meat specified by 33 state institutions, including the California Institution for Men. The contract is awarded by institution to the lowest bidder for the entire meat group and not by individual line item within the meat group.

Honorable Walter M. Ingalls
Chairman, and Members of the
Joint Legislative Audit Committee
July 20, 1981
Page 3

The invitation to bid on the statewide meat contract for the period from April 1981 through September 1981 included the CIM's requirement for T-bone steaks. The Office of Procurement received three bids for the CIM. The lowest of these was disqualified because the bidder was unable to guarantee fulfilling the terms of the contract. Of the remaining qualified bids for the CIM meat group, the lowest totaled \$170,941. For T-bone steaks, this bid, which priced them at \$4.60 per pound did exceed the \$2.98 per pound of the remaining qualified bid; however, for the entire meat group, the winning bid was \$9,764 less than the other competing bid.

The CIM did not pay the bidder's price of \$4.60 per pound for steaks, however, due to fluctuations in the prices for meat commodities. The contract price for each commodity is based on two factors: a base price established weekly from the Federal-State Market News and the vendor's differential price as specified in the contract. The sum of these two factors is the price the vendor will charge the State at the time the individual items are actually shipped. The base price when the T-bone steaks were delivered was \$1.70 per pound; that figure, plus the vendor's contract differential price of \$3.20 per pound, results in the total cost of \$4.90 per pound.

Before the contracting process began, the CIM attempted unsuccessfully to purchase the T-bone steaks without using the statewide meat contract. In December 1980, it requested an emergency authorization from the Office of Procurement to purchase this item. Staff of the Office of Procurement denied the request, stating that the order did not constitute an emergency since the CIM did not need the items until May 1981. Additionally, the Office of Procurement was preparing an invitation for bid for the next statewide meat contract when it received the emergency authorization request. Procurement staff reasoned that ample time remained to include the steaks in the invitation to bid.

Honorable Walter M. Ingalls
Chairman, and Members of the
Joint Legislative Audit Committee
July 20, 1981
Page 4

Another alternative for purchasing the steaks may have been available to the CIM. When CIM staff received the final meat contract and noted the price of the T-bone steaks, they could have requested permission from the Office of Procurement to process a separate purchase request for the steaks rather than order them from the contractor. Staff of the CIM reported that they were adhering to the terms of the contract and that they were unaware this alternative was open to them.

Whether the Office of Procurement could have granted permission is unclear. The Office of Procurement reported that its general policy is to require state agencies to use the contract. One reason for this requirement is that the vendor is guaranteed at least 80 percent of the contract's total dollar value. The office would, however, permit deviations from the contract when agencies request an exemption and provide adequate justification. Procurement officials speculated that the high price of the T-bone steaks might have justified deviating from the contract. Yet the Purchasing Manager for the Office of Procurement stated that, in this instance, the agency might have been legally bound to purchase steaks from the contract vendor.

An alternative in the future would be to exclude the T-bone steak order from the statewide contract and to process a separate purchase request for that item. The CIM and the Office of Procurement anticipate using this procedure next year if the CIM wants to purchase these steaks.

Could the CIM have butchered beef carcasses to produce the T-bone steaks?

CIM officials stated that it could not have butchered beef carcasses to produce the T-bone steaks for two reasons. First, staff indicated that the CIM facility is not equipped to butcher enough meat to yield 3,600 T-bone steaks. Second, the institution had essentially been without a vocational education instructor for butchering from November 1980 to May 4, 1981. The previous instructor retired in March 1981 and had been ill since November 1980. His replacement was not hired until May 4, 1981, six days before the Mother's Day meal. Consequently, the new instructor did not have sufficient time to supervise the butchering of beef carcasses.

Honorable Walter M. Ingalls
Chairman, and Members of the
Joint Legislative Audit Committee
July 20, 1981
Page 5

Why did CIM personnel accept more steaks than were ordered?

Because the shipping document identified only the weight of the steaks and not the individual count, the CIM accepted more meat than was ordered to ensure that it received a sufficient number of steaks. Although the CIM ordered 1,800 pounds of T-bone steaks, the actual amount delivered was 1,958 pounds. This amount exceeds by 68 pounds the 5 percent weight tolerance allowed vendors under the contract. CIM staff stated that since the shipping document identified only total weight, they accepted the overage to ensure that a sufficient number of steaks were delivered.

Why did CIM personnel prepare a surplus of steaks for the Mother's Day meal?

The CIM prepared more steaks than were needed to serve the number of people attending the Mother's Day meal. To prevent food shortages, CIM staff typically prepare surplus quantities of food. Inmates are then permitted second helpings on those surplus items that cannot be stored.

The CIM prepared a surplus of steaks on Mother's Day. Although the CIM's food manager stated that 3,544 steaks were cooked for that meal, CIM records show that only 2,985 meals were needed. Of this number, 2,935 steaks were needed for the inmates, and 44 were required to serve guests.* Another, 6 meals were needed for samples.**

Preparing surplus quantities of food is standard practice at the CIM. Officials stated that meal planning estimates are inflated to prevent meal shortages caused by improperly cooked food, contamination, theft, and accidents. According to the superintendent of the CIM, its officials are particularly sensitive to any problems related to food service or food shortage since the dining hall is potentially the most violent area within the institution.

* Inmates reimbursed the CIM \$2.50 for each meal served to a guest.

** Department of Corrections policy requires that all items of food served to inmates be sampled to ensure that proper standards are maintained.

Honorable Walter M. Ingalls
Chairman, and Members of the
Joint Legislative Audit Committee
July 20, 1981
Page 6

When a surplus of food is cooked, as evidently happened at the Mother's Day meal, inmates are allowed to return to the serving line for seconds on those items which cannot be stored. CIM officials stated they permit this practice so that good food will not be thrown away, a practice that would adversely effect the inmates' morale.

Can the CIM account for all the steaks?

The CIM's record-keeping system did not permit us to strictly account for the T-bone steaks. Nevertheless, we have compiled these available figures and estimates in an attempt to account for the steaks.

Because the steaks were ordered and received by the pound, accounting for them requires an assumption about the number received. Assuming that each steak weighed 8 ounces as specified in the contract, 1,958 pounds of steak would yield 3,916 steaks.

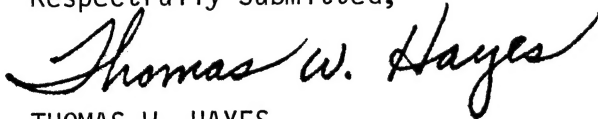
T-BONE STEAKS SERVED AND ON HAND (Unaudited)	
Steaks served to inmates and guests	3,544
Steaks served to guards at overtime meal	52
Steaks on hand, July 14, 1981 ^a	<u>250</u>
Total Steaks Accounted For	3,846
Steaks received	<u>3,916</u>
Difference	<u>(70)</u>

^a The Auditor General's staff and CIM personnel counted the steaks. However, the number is an estimate because the steaks were frozen together.

Honorable Walter M. Ingalls
Chairman, and Members of the
Joint Legislative Audit Committee
July 20, 1981
Page 7

There are several explanations for this difference. First, a real difference could exist if some of the remaining steaks have been stolen. Further, our assumption for estimating the number of steaks received may be incorrect. If so, even a slight variation in the weight of each steak would change the estimated number of steaks in 1,958 pounds. For example, if the steaks weighed 8.15 ounces instead of the 8 ounces assumed for the computation, the difference of 70 steaks would not exist because the number of steaks received would then equal the number accounted for.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Thomas W. Hayes". The signature is written in dark ink and is positioned above the printed name and title.

THOMAS W. HAYES
Auditor General

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